

Länsförsäkringar Bank

Interim Report January–June 2017

The period in brief, Group

- A number of organisational changes were made on 1 January 2017 whereby operations were transferred from the Parent Company, Länsförsäkringar AB, to the Bank Group. A total of 116 full-time employees joined the Bank Group.
- Operating profit increased 6% to SEK 737.3 M (697.2) and the return on equity amounted to 9.5% (9.8).
- Net interest income increased 18% to SEK 1,911 M (1,618). Operating income increased 10% to SEK 1,557 M (1,422).
- Operating expenses rose 15% to SEK 798.8 M (692.3).
- Loan losses amounted to SEK 21.0 M (32.5), net, corresponding to a loan loss level of 0.02% (0.03).
- Business volumes increased 15% to SEK 486.4 billion (422.4).
- Deposits increased 11% to SEK 97.1 billion (87.6). Lending increased 14% to SEK 242.2 billion (213.0).
- The Common Equity Tier 1 capital ratio for the consolidated situation amounted to 22.8% (20.6%*) on 30 June 2017.
- The number of customers with Länsförsäkringar as their primary bank rose 10% and the number of bank cards increased 11%.

Figures in parentheses pertain to the same period in 2016.
*Pertains to 31 March 2017.

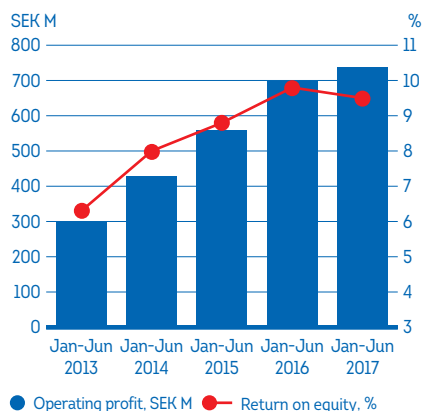
President's comment

It is gratifying to see that the bank's solid performance is continuing and we are capturing further market shares within both savings and lending. Business volumes are growing in all product segments and the earnings trend remains favourable with net interest income performing strongly and with low loan losses. We firmly believe that the combination of our strong local presence and our leading digital services forms the basis of our success and creates the conditions for continued inflows of new customers and high customer satisfaction. Accordingly, we are continuing to make investments to safeguard our position as the leading bank in digital services. The Swedish economy is continuing to perform well despite risks related to rising housing prices. Additional measures for limiting risk are being discussed and in this context it is important to first ensure that such action will not negatively affect how the housing market operates.

Anders Borgcrantz

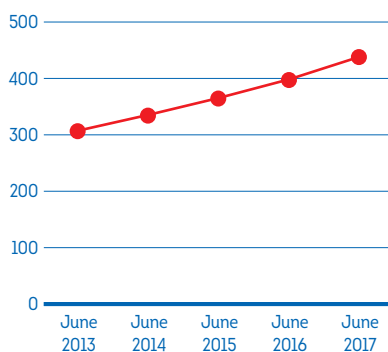
President of Länsförsäkringar Bank

Operating profit and return on equity



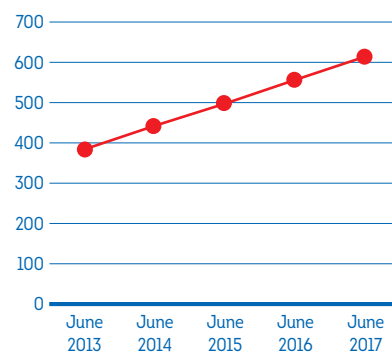
Customer trend

Number of primary bank customers, 000s



Card trend

Card trend, 000s



Key figures

Group	Q 2 2017	Q 1 2017	Q 2 2016	Jan-Jun 2017	Jan-jun 2016	Full-Year 2016
Return on equity, %	9.76	9.14	9.93	9.45	9.83	10.09
Return on total capital, %	0.51	0.49	0.53	0.50	0.53	0.54
Investment margin, %	1.30	1.29	1.24	1.30	1.23	1.28
Cost/income ratio before loan losses	0.51	0.51	0.49	0.51	0.49	0.48
Common Equity Tier 1 capital ratio, Bank Group, %	24.3	24.2	23.7	24.3	23.7	24.8
Tier 1 ratio, Bank Group, %	26.8	26.8	26.4	26.8	26.4	27.5
Total capital ratio, Bank Group, %	32.4	32.4	32.3	32.4	32.3	33.4
Core Tier 1 ratio, consolidated situation, %	22.8	20.6	20.3	22.8	20.3	21.2
Tier 1 ratio, consolidated situation, %	24.7	22.6	22.3	24.7	22.3	23.2
Total capital ratio, consolidated situation, %	28.9	26.8	26.7	28.9	26.7	27.6
Percentage of impaired loans, gross, %	0.11	0.10	0.12	0.11	0.12	0.11
Reserve ratio in relation to loans, %	0.11	0.11	0.12	0.11	0.12	0.11
Reserve ratio in relation to loans, incl. withheld remuneration to regional insurance companies, %	0.15	0.16	0.17	0.15	0.17	0.17
Loan loss level, %	0.01	0.03	0.02	0.02	0.03	0.02*

* Includes the dissolution of reserves.

Income statement, quarterly

Group, SEK M	Q 2 2017	Q 1 2017	Q 4 2016	Q 3 2016	Q 2 2016
Net interest income	970.7	940.0	944.8	900.2	827.8
Net commission	-168.3	-159.6	-187.3	-183.9	-153.7
Net gains/losses from financial items	-5.1	-30.3	-14.6	1.7	41.1
Other operating income	6.0	3.7	16.0	3.8	5.4
Total operating income	803.3	753.8	758.9	721.8	720.5
Staff costs	-153.0	-143.2	-114.1	-107.1	-125.9
Other expenses	-259.6	-242.9	-251.8	-232.3	-226.0
Total operating expenses	-412.6	-386.2	-366.0	-339.5	-352.9
Profit before loan losses	390.7	367.6	393.0	382.3	368.7
Loan losses, net	-5.9	-15.1	-2.4	-2.7	-12.3
Operating profit	384.8	352.5	390.6	379.7	356.3

Market commentary

Sentiment remained positive in the second quarter in relation to growth and financial markets. Political risks in Europe have declined, mainly due to the results of the French parliamentary elections. In the US, President Trump presented his budget proposal that focused on boosting spending on defence while making cuts to welfare programmes. Global stock markets continued to rise on par with the strong economy and improved profit forecasts. Both the Swedish stock market and emerging markets were stronger than global indexes.

Swedish and European long-term interest rates rose slightly during the second quarter due to expectations of gradually less expansive monetary policies from the central banks. The US Federal Reserve raised its key interest rate in June, announcing that it would decrease reinvestment of maturing securities holdings but without providing a specific timetable. The ECB kept the key interest rate and the deposit facility rate unchanged in the second quarter and maintained

the pace of its corporate sector purchase programme. Mario Draghi, President of the ECB, stated in June that the ECB's monetary policy measures may need to be adjusted in the future due to the strong economic trend in the eurozone, but wanted to maintain the level of economic stimulus measures. The statement could be interpreted as the ECB now preparing the market for normalising monetary policy, although the process will be very slow. The Riksbank unexpectedly extended its government bond purchases by SEK 15 billion in April. The subsequent impact on inflation was higher than the Riksbank and other analysts had anticipated, although a rise in interest rates is not expected until mid-2018. Rates on covered bonds fell slightly during the quarter, while demand from investors remained high.

The real economic trend for the second quarter was mostly positive. First-quarter growth figures indicate a continued strong global economy and leading indicators suggest a robust continuation of growth this

year. However, hopes of a rapid fiscal stimulus in the US have diminished, but strong private sector demand meant that the economic outlook nevertheless remains positive. The tight labour market could hamper the rate of growth in the future.

The economic scenario in Europe is brighter than previously. Reduced political risk and higher business investment are paving the way for the favourable economic trend to continue. Optimism in Sweden remains high and the domestic economy has improved further. The inflation trend in Sweden has generally exceeded expectations with upturns in all inflation indicators.

The SEK strengthened against the USD but weakened against the EUR in the second quarter. Housing prices rose by just over 1% in April and May excluding seasonal effects. The Swedish Financial Supervisory Authority announced in May a proposal for stricter amortisation requirements and the housing market have slowed slightly in June.

Significant changes since 1 January 2017

Länsförsäkringar Bank has implemented a number of organisational changes since 1 January 2017 to develop the governance of the operations and to further enhance cost control.

Reclassifications in the accounts have also been made in order to better reflect the banking operations and their underlying performance. As a result, certain items have been changed in the income statement. Comparative figures for the reclassifications in the accounts have been restated to facilitate comparison between the periods. The changes have a neutral effect on earnings. The underlying earnings and cost trend remain favourable.

The changes made and their effects on costs and earnings for the January-June 2017 period are described below.

Organisational changes

1. The Bank Business Service unit, which performs back office services, was transferred from the Parent Company, Länsförsäkringar AB, to Länsförsäkringar Bank on 1 January 2017. This action resulted in the number of employees in the Bank Group increasing by 109 individuals. The cost for Business Service Bank of SEK 36 M was charged to staff costs in the January-June 2017 period. The cost in the same amount is invoiced to the regional insurance companies and recognised as commission income. This action has a neutral effect on earnings.

2. Part of previously externally outsourced fund management in Länsförsäkringar Fondförvaltning has been taken over by the company itself, for which three fund managers were employed. Services were previously purchased via external managers and recognised in the item administration costs. This is charged to the item staff costs from 1 January, and amounted to SEK 5 M in the January-June 2017 period. Net commission improved in an amount attributable to the cost that Länsförsäkringar Fondförvaltning previously incurred for external managers. This action has a continuously positive effect on earnings.

3. The Economic Research Department, which provides the Bank Group and Länsförsäkringar AB with services in macroeconomic analysis, was transferred from Länsförsäkringar AB to Länsförsäkringar Bank's operations, and will entail an increased cost of SEK 6 M for the January-June 2017 period. The number of employees who joined the Bank Group in this unit is four individuals. Adjusted for the three organisational changes above, the underlying cost increase for Länsförsäkringar Bank was 8.0% for the January-June 2017 period compared with the year-earlier period. The effect on the number of employees in the Bank Group was a total increase of 116 individuals.

Reclassifications in the accounts

4. Administration costs for Länsförsäkringar Fondförvaltning have been reclassified between "Other administration expenses" and "Commission expense." Comparative figures have been restated and the effect for the January-June 2017 period amounts to SEK 87 M. This action has a neutral effect on earnings.

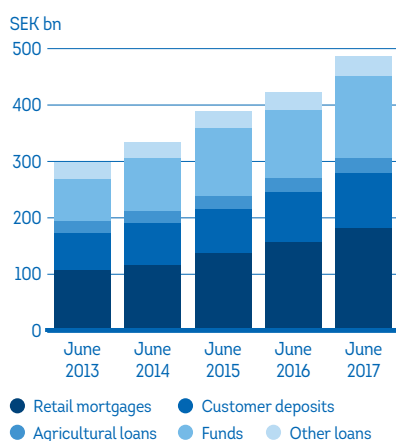
5. Income for Wasa Kredit has been reclassified between the items "Other operating income" and "Commission income." The change entails that income for services rendered that was previously classified as "Other operating income" has now been transferred to "Commission income." Comparative figures have been restated and the effect for the January-June 2017 period amounts to SEK 46 M. This action has a neutral effect on earnings.

January-June 2017 compared with January-June 2016

Business volumes

Business volumes rose 15%, or SEK 64.0 billion, to SEK 486.4 billion (422.4). Lending increased 14%, or SEK 29.2 billion, to SEK 242.2 billion (213.0), with continued high credit quality. Lending in Länsförsäkringar Hypotek rose 15%, or SEK 24.4 billion, to SEK 182.0 billion (157.6). Deposits increased 11%, or SEK 9.5 billion, to SEK 97.1 billion (87.6). Fund volumes increased 21%, or SEK 25.3 billion, to SEK 147.1 billion (121.8).

Business volumes



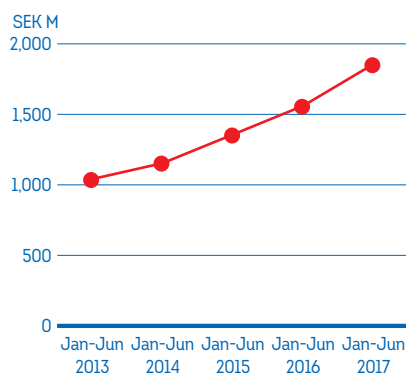
Customers

The number of customers with Länsförsäkringar as their primary bank increased 10% to 438,000 (398,000) and the average number of products per customer was 5.0. Some 92% of those customers who have the bank as their primary bank are also existing Länsförsäkringar insurance customers. The number of bank cards rose 11% to 607,000 (549,000).

Earnings and profitability

Operating profit increased 6% to SEK 737.3 M (697.2), due to higher net interest income. The investment margin strengthened to 1.30% (1.23). Profit before loan losses rose 4% to SEK 758.4 M (729.7). The return on equity amounted to 9.5% (9.8).

Net interest income



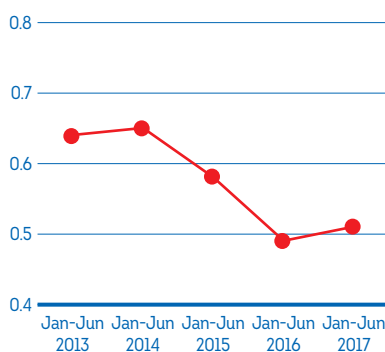
Income

Operating income increased 10% to SEK 1,557 M (1,422), primarily due to higher net interest income. Net interest income increased 18% to SEK 1,911 M (1,618) attributable to higher volumes and lower refinancing costs. Net losses from financial items amounted to SEK -35.3 M (81.3) due to changes in fair value. Commission income increased 13% to SEK 880.4 M (777.2), as a result of improved securities commission, rising other commission, and remuneration from the regional insurance companies for back office services provided by the Bank Business Service unit. Net commission amounted to SEK -327.9 M (-290.6), due to increased remuneration to the regional insurance companies based on higher volumes and the strengthened profitability of the business.

Expenses

Operating expenses amounted to SEK 798.8 M (692.3), up 15%. The increase was mainly attributable to higher staff costs associated with additional personnel since 1 January 2017 from Länsförsäkringar AB to the Bank Business Service unit and the Economic Research Department, and the recruitment of new fund managers at Länsförsäkringar Fondförvaltning. Adjusted for all of these organisational changes, the underlying cost increase totalled 8.0%, due to, for example, initiatives for future-oriented IT investments. The cost/income ratio was 0.51 (0.49) before loan losses and 0.53 (0.51) after loan losses.

Cost/income ratio before loan losses



Loan losses

Loan losses amounted to SEK 21.0 M (32.5), net, corresponding to a loan loss level of 0.02% (0.03). Impaired loans, gross, amounted to SEK 261.4 M (264.3), corresponding to a percentage of impaired loans, gross, of 0.11% (0.12).

Reserves totalled SEK 261.1 M (269.2), corresponding to a reserve ratio in relation

to loans of 0.11% (0.12). In addition, SEK 100.1 M (101.1) of the remuneration to the regional insurance companies' credit-risk commitments for generated business is withheld in accordance with the settlement model. The reserve ratio in relation to loans, including withheld remuneration to the regional insurance companies, was 0.15% (0.17).

For more information regarding loan losses, reserves and impaired loans, see notes 6 and 7.

Deposits and savings

Deposits from the public increased 11%, or SEK 9.5 billion, to SEK 97.1 billion (87.6). Deposits from small businesses amounted to SEK 11.1 billion (10.8). The number of deposit accounts increased 8%. On 31 May 2017, the market share of household deposits had increased to 4.8% (4.7) according to Statistics Sweden. Fund volumes increased 21%, or SEK 25.3 billion, to SEK 147.1 billion (121.8) attributable to positive changes in value and increased inflows in the fund business.

Loans

All loans are granted in Sweden, in SEK and have a well-diversified geographic distribution. Loans to the public increased 14%, or SEK 29.2 billion, to SEK 242.2 billion (213.0). The credit quality of lending remained high. The weighted average loan-to-value ratio (LTV) of the Bank Group's mortgage portfolio declined to 62% (65). Lending in Länsförsäkringar Hypotek rose 15%, or SEK 24.4 billion, to SEK 182.0 billion (157.6). The percentage of retail mortgages in relation to the total loan portfolio was at 75%. On 31 May 2017, the market share of retail mortgages had strengthened to 6.0% (5.6) according to Statistics Sweden.

Agricultural lending increased 5% to SEK 26.0 billion (24.7). Agricultural lending primarily comprises first-lien mortgages to family-owned agricultural operations, and the average commitment was low at SEK 2.3 M on 30 June 2017. First-lien mortgages for agricultural properties, comprising 93% (92) of agricultural lending, accounted for the entire increase in agricultural loans and increased to SEK 24.2 billion (22.6). Agricultural lending is continuing to grow at a lower rate than other loans and its share of total loans is falling. Loans to small businesses totalled SEK 1.7 billion (1.5) on 30 June 2017.

Loan portfolio, distribution in %

Lending segment, %	30 Jun 2017	30 Jun 2016
Retail mortgages	75.2	73.9
Agriculture	10.7	11.6
Multi-family housing	3.3	3.7
Leasing	2.9	3.0
Hire purchase	3.6	3.3
Unsecured loans	3.4	3.6
Other	0.9	0.9
TOTAL	100	100

Volume of retail mortgages in Bank Group by loan-to-value ratio*

Capital receivable	Total	
Loan-to-value ratio	Volume, SEK M	Total, %
0-50%	144,970	79.6%
51-60%	17,894	9.8%
61-70%	12,155	6.7%
71-75%	3,528	1.9%
75%+	3,580	2.0%
TOTAL	182,127	100

* Refers to loans with single-family homes, tenant-owned apartments or vacation homes as collateral.

Funding

The Group has a low refinancing risk and the maturity profile is well diversified. Debt securities in issue increased 13%, or SEK 19.3 billion, to a nominal SEK 165.0 billion (145.7), of which covered bonds amounted to SEK 133.8 billion (115.1), senior long-term funding to SEK 30.1 billion (28.6) and short-term funding to SEK 1.1 billion (2.0). The average remaining term for the long-term funding was 3.5 years (3.5) on 30 June 2017.

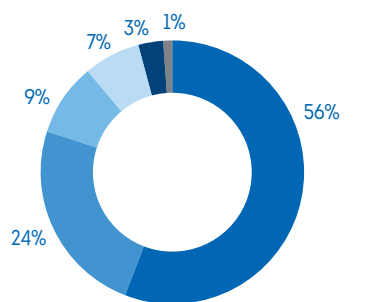
Covered bonds were issued during the period at a volume of a nominal SEK 20.0 billion (18.7). Repurchased covered bonds totaled a nominal SEK 2.1 billion (2.6) and matured covered bonds a nominal SEK 5.7 billion (8.0). Länsförsäkringar Bank issued senior unsecured bonds in the nominal amount of SEK 5.2 billion (4.2) during the period. In March, Länsförsäkringar Hypotek issued a seven-year Euro benchmark-covered bond for a nominal EUR 500 M. In addition, Länsförsäkringar Hypotek issued a new Swedish benchmark bond (LFH516) during the period, which matures in September 2023.

Liquidity

On 30 June 2017, the liquidity reserve totaled SEK 45.0 billion (44.9), according to the Swedish Bankers' Association's definition. The liquidity reserve is invested in securities with very high credit quality and that are eligible for transactions with the Riksbank and, where applicable, with the ECB. By utilising the liquidity reserve, contractual undertakings can be met for about two years without needing to secure new funding in the capital market. The Group's Liquidity Coverage Ratio (LCR) for the consolidated situation, according to the Swedish Financial Supervisory Authority's definition, amounted to 215% (198) at 30 June 2017. The Net Stable Funding Ratio (NSFR) for the consolidated situation amounted to 117%** (115) on 30 June 2017.

** The calculation is based on Länsförsäkringar Bank's interpretation of the Basel Committee's most recent Net Stable Funding Ratio proposal. The comparative figure pertains to 31 March 2017.

Liquidity reserve***



- Swedish covered bonds
- Swedish government bonds
- Other Swedish bonds with an AAA/Aaa rating
- Bonds issued/guaranteed by European governments/multinational development banks
- Nordic AAA/Aaa-rated covered bonds
- Deposits with Swedish National Debt Office and central bank

*** Comprising 99% AAA-rated bonds.

Rating

Länsförsäkringar Bank's credit rating is A/Stable from Standard & Poor's and A1/Stable from Moody's. Länsförsäkringar Hypotek's covered bonds have the highest credit rating of Aaa from Moody's and AAA/Stable from Standard & Poor's.

Capital adequacy, consolidated situation¹

In accordance with the CRR (575/2013), the consolidated situation includes the parent mixed financial holding company Länsförsäkringar AB, in addition to the Bank Group. Since the bank is of the opinion that the actual risk and capital situation is best presented in the Bank Group's capital ratios, the actual risk and capital situation are published in parallel with the capital ratios according to the consolidated situation.

Consolidated situation (SEK M)	30 Jun 2017	31 Mar 2017
IRB Approach	33,318	32,220
retail exposures	25,753	24,939
exposures to corporates	7,565	7,281
Standardised Approach	16,650	16,526
Operational risks	11,346	11,346
Total REA	62,430	61,481
Common Equity Tier 1 capital	14,248	12,668
Tier 1 capital	15,448	13,868
Total capital	18,040	16,460
Common Equity Tier 1 capital ratio	22.8%	20.6%
Tier 1 ratio	24.7%	22.6%
Total capital ratio	28.9%	26.8%

The Common Equity Tier 1 capital ratio amounted to 22.8% (20.6). Common Equity Tier 1 capital strengthened in the second quarter on the basis of profit generated from the Bank Group and dividends of SEK 1,250 M from the insurance companies in the Länsförsäkringar AB Group. Total REA in the consolidated situation on 30 June 2017 amounted to SEK 62,430 M (61,481). Loans to the public in the second quarter increased with credit quality remaining unchanged, which entailed a SEK 814 M increase in REA for IRB retail exposures.

¹ The comparative period is 31 March 2017.

Internally assessed capital requirement and buffer

The internally assessed capital requirement for the consolidated situation on 30 June 2017 amounted to SEK 6,174 M, comprising the minimum capital requirement under Pillar I and the capital requirement for risks

Rating

Company	Agency	Long-term rating	Short-term rating
Länsförsäkringar Bank	Standard & Poor's	A/Stable	A-1(K-1)
Länsförsäkringar Bank	Moody's	A1/Stable	P-1
Länsförsäkringar Hypotek [†]	Standard & Poor's	AAA/Stable	-
Länsförsäkringar Hypotek [†]	Moody's	Aaa	-

[†] Pertains to the company's covered bonds.

managed under Pillar II. The internally assessed capital requirement is calculated based on the methods and models used to calculate the capital requirement under the framework of Pillar I. Internal models are used for Pillar II risks.

In addition to this, there is the capital requirement for the risk weight floor for Swedish mortgages, the countercyclical capital buffer and the capital conservation buffer. The risk weight floor for mortgages of 25% entailed a capital requirement of SEK 4,698 M as at 30 June 2017. The countercyclical capital buffer of 2% of REA amounted to SEK 1,249 M on 30 June 2017 and the capital conservation buffer of 2.5% of REA to SEK 1,561 M.

The capital meeting the internal capital requirement including buffer, meaning own funds, amounted to SEK 18,040 M. The leverage ratio on 30 June 2017 amounted to 4.9%* (4.5).

For the Bank Group, the internally assessed capital requirement amounted to SEK 4,782 M and own funds to SEK 15,176 M.

Capital ratio, Bank Group

Bank Group (SEK M)	30 Jun 2017	31 Mar 2017
IRB Approach	33,318	32,220
retail exposures	25,753	24,939
exposures to corporates	7,565	7,281
Standardised Approach	8,108	8,292
Operational risks	4,341	4,341
Total REA	46,883	46,241
Common Equity Tier 1 capital	11,384	11,204
Tier 1 capital	12,584	12,404
Total capital	15,176	14,996
Common Equity Tier 1 capital ratio	24.3%	24.2%
Tier 1 ratio	26.8%	26.8%
Total capital ratio	32.4%	32.4%

For more information on capital adequacy, see note 11.

* According to Commission Delegated Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

Interest-rate risk

On 30 June 2017, an increase in market interest rates of 1 percentage point would have reduced the value of interest-bearing assets and liabilities, including derivatives, by SEK 26.9 M (decrease: 34.8).

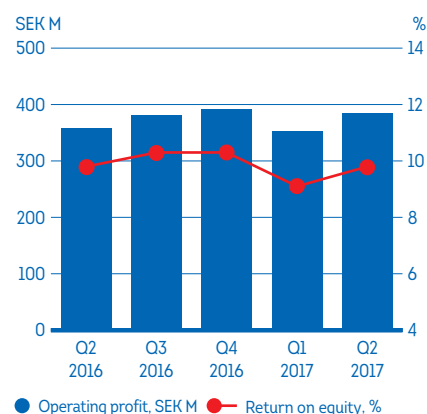
Risks and uncertainties

The operations are characterised by a low risk profile. The Group and the Parent Company are exposed to a number of risks, primarily comprising credit risks, refinancing risks and market risks. The macroeconomic situation in Sweden is critical for credit risk since all loans are granted in Sweden. Market risks primarily comprise interest-rate risks. Loan losses remain low and the refinancing of business activities was highly satisfactory during the year. A more detailed description of risks is available in the 2016 Annual Report. No significant changes in the allocation of risk have taken place compared with the description provided in the Annual Report.

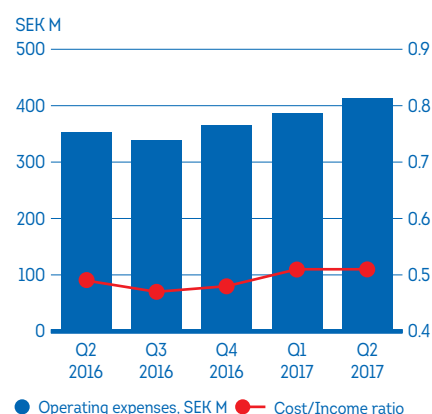
Second quarter of 2017 compared with first quarter of 2017

Operating profit increased 9% to SEK 384.8 M (352.5) attributable to higher net interest income. The return on equity amounted to 9.8% (9.1). Operating income increased 7% to SEK 803.3 M (753.8). Net interest income increased 3% to SEK 970.7 M (940.0) as a result of continued positive volume growth. The investment margin strengthened to 1.30% (1.29). Commission income amounted to SEK 444.4 M (436.0) and the commission expense to SEK 612.7 M (595.6). Net commission amounted to SEK -168.3 M (-159.6). Net losses from financial items amounted to SEK -5.1 M (-30.3) due to changes in fair value. Operating expenses increased 7% to SEK 412.6 M (386.2). The cost/income ratio before loan losses amounted to 0.51 (0.51). Loan losses amounted to SEK 5.9 M (15.1), net.

Operating profit and return on equity



Operating expenses and cost/income ratio



Other events

On 30 June 2017, Rikard Josefson left his position as President of Länsförsäkringar Bank. In connection with this, Anders Borgcrantz was appointed President of Länsförsäkringar Bank.

Events after the end of the period

No significant events took place after the end of the period.

Parent Company

January-June 2017 compared with January-June 2016

Loans to the public amounted to SEK 40.2 billion (38.4). Deposits from the public increased 11%, or SEK 9.6 billion, to SEK 97.5 billion (87.9). Debt securities in issue increased 2% to SEK 30.2 billion (29.6). Operating profit fell 9% to SEK 127.0 M (139.3) due to weaker net gains from financial items and increased operating expenses. Net interest income increased 6% to SEK 551.0 M (520.2). Operating income increased 10% to SEK 640.9 M (580.1) due to higher net interest income. Commis-

sion income increased 28% to SEK 238.3 M (185.6). Commission expense amounted to SEK 214.7 M (203.2). Operating expenses increased 21% to SEK 513.1 M (423.4), mostly attributable to higher staff costs related the reorganisation of personnel from Länsförsäkringar AB to the Bank Business Service unit. Loan losses amounted to SEK 0.8 M (17.4), net, corresponding to a loan loss level of 0.00% (0.09).

Subsidiaries

January-June 2017 compared with January-June 2016

Länsförsäkringar Hypotek

Lending in Länsförsäkringar Hypotek rose 15%, or SEK 24.4 billion, to SEK 182.0 billion (157.6). Retail mortgages up to 75% of the market value of the collateral on the granting date are granted by Länsförsäkringar Hypotek and the remainder by the Parent Company. Operating profit increased 10% to SEK 377.8 M (343.0) due to higher net interest income. Net interest income rose 31% to SEK 998.7 M (762.9) attributable to increased volumes and lower refinancing costs. Loan losses amounted to SEK -1.4 M (-1.2), net, corresponding to a loan loss level of -0.00% (-0.00). Operating expenses amounted to SEK 52.2 M (49.7). The number of retail mortgage customers increased 8% to 242,000 (224,000).

SEK M	30 Jun 2017	30 Jun 2016
Total assets	201,277	178,138
Lending volume	181,988	157,625
Net interest income	999	763
Operating profit	378	343

Wasa Kredit

Wasa Kredit's lending volumes increased 18% to SEK 20.1 billion (17.0). Operating profit increased 6% to SEK 188.7 M (178.6). The increase was primarily attributable to increased commission and interest income. Net interest income increased 8% to SEK 361.0 M (335.4) due to higher interest income. Operating expenses amounted to SEK 219.4 M (210.9) and loan losses, net, were SEK 21.6 M (16.3).

SEK M	30 Jun 2017	30 Jun 2016
Total assets	20,590	17,607
Lending volume	20,087	16,970
Net interest income	361	335
Operating profit	189	179

Länsförsäkringar Fondförvaltning

Fund volumes increased 21%, or SEK 25.3 billion, to SEK 147.1 billion (121.8) attributable to positive changes in value and increased inflows in the fund business. The fund offering includes 38 mutual funds under Länsförsäkringar's own brand with various investment orientations and a fund market with external funds. Three Swedish equities funds are internally managed by Länsförsäkringar Fondförvaltning. Assets under management under Länsförsäkringar's own brand amounted to SEK 130.5 billion (110.6). Operating profit amounted to SEK 43.9 M (36.4).

SEK M	30 Jun 2017	30 Jun 2016
Total assets	548	472
Fund volumes	147,118	121,798
Net flow	536	2,697
Net commission	115	99
Operating profit	44	36

Income statement - Group

SEK M	Note	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Interest income		1,120.8	1,058.5	6%	985.6	14%	2,179.3	1,957.7	11%	4,035.6
Interest expense		-150.1	-118.5	27%	-157.8	-35%	-268.6	-339.2	-21%	-572.0
Net interest income	3	970.7	940.0	3%	827.8	19%	1,910.7	1,618.5	18%	3,463.5
Dividends received		0.0	0.0		0.0		0.0	0.0		0.2
Commission income		444.4	436.0	2%	402.8	10%	880.4	777.2	13%	1,616.1
Commission expense		-612.7	-595.6	3%	-556.5	10%	-1,208.3	-1,067.9	13%	-2,278.0
Net commission income	4	-168.3	-159.6	5%	-153.6	10%	-327.9	-290.6	13%	-661.9
Net gains / losses from financial items	5	-5.1	-30.3	83%	41.1		-35.3	81.3		68.4
Other operating income		6.0	3.7	62%	5.4	11%	9.6	12.8	-25%	33.7
Total operating income		803.3	753.8	7%	720.6	11%	1,557.1	1,422.0	10%	2,903.8
Staff costs		-153.0	-143.2	7%	-125.9	22%	-296.2	-248.6	19%	-469.8
Other administration expenses		-237.9	-221.8	7%	-206.3	15%	-459.7	-405.6	13%	-852.7
Total administration expenses		-390.8	-365.0	7%	-332.2	18%	-755.9	-654.2	16%	-1,322.5
Depreciation / amortisation and impairment of property and equipment / intangible assets		-21.7	-21.1	3%	-19.7	10%	-42.9	-38.1	13%	-76.3
Total operating expenses		-412.6	-386.2	7%	-351.9	17%	-798.8	-692.3	15%	-1,398.8
Profit before loan losses		390.7	367.6	6%	368.8	6%	758.4	729.7	4%	1,505.0
Loan losses, net	6	-5.9	-15.1	-61%	-12.3	-52%	-21.0	-32.5	-35%	-37.6
Operating profit		384.8	352.5	9%	356.4	8%	737.3	697.2	6%	1,467.3
Tax		-84.7	-77.5	9%	-75.2	13%	-162.2	-150.2	8%	-330.8
Profit for the period		300.1	275.0	9%	281.3	7%	575.2	547.1	5%	1,136.6

Statement of comprehensive income - Group

SEK M	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Profit for the period	300.2	275.0	9%	281.3	7%	575.2	547.1	5%	1,136.6
Other comprehensive income									
Items that cannot be transferred to the income statement									
Cash-flow hedges	-52.4	-68.0	-23%	-64.8	-19%	-120.4	10.0		-98.6
Change in fair value of available-for-sale financial assets	55.6	-4.7		38.3	45%	50.9	55.3	-8%	130.2
Tax attributable to items that have been transferred or can be transferred to profit for the period	-0.7	16.0		5.8		15.3	-14.4		-6.9
Other comprehensive income for the period, net after tax	2.5	-56.7		-20.7		-54.2	51.0		24.7
Total comprehensive income for the period	302.7	218.3	39%	260.6	16%	521.0	598.1	-13%	1,161.3

Balance sheet – Group

SEK M	Note	30 Jun 2017	31 Dec 2016	30 Jun 2016
Assets				
Cash and balances with central banks		19.9	21.6	27.0
Treasury bills and other eligible bills		13,697.6	7,867.2	7,702.9
Loans to credit institutions		3,328.4	280.2	3,451.5
Loans to the public	7	242,249.0	226,705.0	213,028.7
Bonds and other interest-bearing securities		33,773.7	32,809.7	37,105.5
Shares and participations		26.0	25.4	22.8
Derivatives	8	5,002.1	6,216.7	6,921.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		392.6	635.9	1,051.3
Intangible assets		703.7	488.3	368.9
Property and equipment		8.4	7.8	9.1
Deferred tax assets		28.9	2.7	6.0
Other assets		417.6	505.1	462.5
Prepaid expenses and accrued income		442.9	385.5	402.0
Total assets		300,090.7	275,951.1	270,559.2
Liabilities and equity				
Due to credit institutions		9,195.8	3,872.8	7,534.8
Deposits and borrowing from the public		97,144.0	91,207.1	87,602.0
Debt securities in issue		169,160.6	155,999.5	149,054.2
Derivatives	8	1,679.3	1,894.6	2,654.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge		2,295.4	3,191.4	4,768.3
Deferred tax liabilities		420.0	421.6	295.3
Other liabilities		725.1	595.2	616.0
Accrued expenses and deferred income		3,175.7	2,978.8	2,790.5
Provisions		11.9	12.3	11.0
Subordinated liabilities		2,596.0	2,595.4	2,595.0
Total liabilities		286,403.8	262,768.8	257,921.4
Equity				
Share capital		954.9	954.9	954.9
Other capital contributed		7,442.5	7,442.5	7,442.5
Reserves		29.6	83.9	110.2
Additional Tier 1 instruments		1,200.0	1,200.0	1,200.0
Retained earnings		3,484.7	2,364.5	2,383.2
Profit for the period		575.2	1,136.6	547.1
Total equity		13,686.9	13,182.3	12,637.8
Total liabilities and equity		300,090.7	275,951.1	270,559.2
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Cash-flow statement in summary, indirect method - Group

SEK M	Jan-Jun 2017	Jan-Jun 2016
Cash and cash equivalents, 1 January	122.1	141.4
Cash flow from operating activities	229.1	-228.8
Cash flow from investing activities	-259.3	-107.6
Cash flow from financing activities	0.5	295.3
Cash flow for the period	-29.7	-41.1
Cash and cash equivalents, 31 March	92.3	100.3

Cash and cash equivalents is defined as cash and balances with central banks, loans to credit institutions payable on demand as well as overnight loans and investments with the Riksbank that mature on the following banking day.

The change in cash flow from operating activities was largely due to Loans to the public amounting to SEK -5,483.5 M (-4,035.6), Debt securities in issue SEK 13,183.7 M (-135.9) and Treasury bills -4,507.5 M (4,291.1).

Statement of changes in shareholders' equity - Group

SEK M	Share capital	Other capital contributed	Additional Tier 1 instruments	Reserves			Retained earnings	Profit for the period	Total
				Fair value reserve	Hedge reserve	Defined-benefit pension plans			
Opening balance, 1 January 2016	954.9	7,442.5	1,200.0	-13.5	74.0	-1.3	1,489.2	911.1	12,056.9
Profit for the period								547.1	547.1
Other comprehensive income for the period				43.2	7.8	0.0			51.0
<i>Comprehensive income for the period</i>				<i>43.2</i>	<i>7.8</i>			<i>547.1</i>	<i>598.1</i>
According to Board's proposal for resolution by Annual General Meeting							911.1	-911.1	0.0
Issued Additional Tier 1 instruments ²							-17.1		-17.1
Closing balance, 30 June 2016	954.9	7,442.5	1,200.0	29.7	81.8	-1.3	2,383.2	547.1	12,637.8
Opening balance, 1 July 2016	954.9	7,442.5	1,200.0	29.7	81.8	-1.3	2,383.2	547.1	12,637.8
Profit for the period								589.4	589.4
Other comprehensive income for the period				58.5	-84.8	0.0			-26.3
<i>Comprehensive income for the period</i>				<i>58.5</i>	<i>-84.8</i>			<i>589.4</i>	<i>563.0</i>
According to Board's proposal for resolution by Annual General Meeting							0.0	0.0	0.0
Issued Additional Tier 1 instruments ²							-18.6		-18.6
Closing balance, 31 December 2016	954.9	7,442.5	1,200.0	88.2	-3.0	-1.3	2,364.5	1,136.5	13,182.2
Opening balance, 1 January 2017	954.9	7,442.5	1,200.0	88.2	-3.0	-1.3	2,364.5	1,136.5	13,182.2
Profit for the period								575.2	575.2
Other comprehensive income for the period				39.7	-93.9	0.0			-54.2
<i>Comprehensive income for the period</i>				<i>39.7</i>	<i>-93.9</i>			<i>575.2</i>	<i>521.0</i>
According to Board's proposal for resolution by Annual General Meeting							1,136.5	-1,136.5	0.0
Issued Additional Tier 1 instruments ²							-16.3		-16.3
Closing balance, 30 June 2017	954.9	7,442.5¹	1,200.0	127.9	-96.9	-1.3	3,484.7	575.2	13,686.9

¹ The shareholders' contributions that have been paid are conditional and the Parent Company Länsförsäkringar AB (publ) is entitled to receive repayment of the contributions from the unappropriated earnings of Länsförsäkringar Bank AB (publ), provided that approval is obtained from the general meeting. On 31 March 2017, the amount of the conditional shareholders' contribution received was SEK 5,290 M (5,290).

² The issued Tier 1 instrument is deemed to fulfil the conditions of an equity instrument since:

- The instrument, according to the conditions, does not have a set maturity date, meaning that the issuer has an unconditional right to refrain from making repayments.
- The issuer of the instrument has full discretion regarding interest payments, that is to say no obligation to pay interest.

Notes - Group

Amounts in SEK million if not otherwise stated.

Note 1 Accounting policies

The consolidated accounts were prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standard Board (IASB), and interpretations from the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU. Furthermore, the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅARKL) (1995:1559), as well as the regulations and general guidelines of the Swedish Financial Supervisory Authority (FFFS 2008:25) were applied. The Group also applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and statements (UFR). This interim report complies with the requirements of IAS 34, Interim Financial Reporting.

Changes to 2017 reporting

The following changes and reclassifications have been made to the income statement and balance sheet from 1 January 2017:

1. The bank has decided to present financial instruments measured at fair value including accrued interest, which conforms with the classifications in the CRR regulations. The change has affected the comparative figures in the balance sheet as of 2016-12-31. Assets that have been affected are: Treasury bills and other eligible bills has increased with SEK 73 M, Bonds and other interest-bearing securities has increased with SEK 388 M, Derivatives has increased with SEK 662 M and Prepaid expenses and accrued income has decreased with SEK 1,123 M. Liabilities that have been affected are: Derivatives has increased with SEK 251 M and Accrued expenses and deferred income decreased with SEK 251 M. Comparative figures and performance measures have been updated to the new classification. The change has not affect equity.
2. Income has been reclassified between the items Other operating income and Commission income. The change entails that income for services rendered that was previously classified as "Other operating income" has now been transferred to "Commission income." Comparative figures including performance measures have been restated and the full-year effect amounts to SEK 94 M. The change has no effect on earnings.
3. Administration costs have been reclassified between "Other administration expenses" and "Commission expense." Comparative figures including performance measures have been restated and the full-year effect amounts to SEK 169 M. The change has no effect on earnings.

NEW IFRS AND INTERPRETATIONS THAT HAVE NOT YET BEEN APPLIED

IFRS 9 Financial instruments

IFRS 9 Financial Instruments will take effect on 1 January 2018. The standard contains new requirements for the classification and measurement of financial instruments, an expected loss impairment model and hedge accounting rules. The bank's project on implementing the new accounting regulations is progressing according to plan. A key milestone in the project is the implementation of a system solution for calculating expected credit losses. The system is currently being tested and is scheduled to be completed in the next quarter. A method for integrating prospective information in the model has been prepared and other standpoints and definitions based on the credit loss rules have been established. The parts of the project that involve classification, measurement and hedge accounting are in the final phase.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers will take effect on 1 January 2018. The standard contains a single model for recognising revenue from contracts with customers that is not encompassed by other standards. The Group has performed an analysis of the effects of IFRS 15, and implementation is ongoing. The assessment is that the standard will not have any significant effect on the consolidated financial statements except for enhanced disclosure requirements.

IFRS 16 Leases

IFRS 16 Leases has been published by the IASB and is to be applied from 1 January 2019. The standard has not yet been approved by the EU. The largest changes entailed by the new standard is that a lessee is to recognise leases in the balance sheet. The Group is currently analysing the effects of the rules.

Alternative performance measures

The European Securities and Markets Authority's (ESMA) Guidelines on Alternative Performance Measures came into effect on 3 July 2016. In accordance with these guidelines, disclosures on financial performance measures that are not defined by IFRS have been provided. Alternative performance measures, such as return on equity, return on total capital, investment margin, cost/income ratio before loan losses, reserve ratio in relation to loans and loan loss level are defined in the 2016 Annual Report.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2016 Annual Report.

Note 2	Segment reporting					
Income statement, Jan-Jun 2017, SEK M	Banking operations	Mortgage institution	Finance company	Mutual funds	Eliminations / Adjustments	Total
Net interest income	551.0	998.7	361.0	0.0	0.0	1,910.7
Net commission	23.6	-526.7	60.3	115.1	-0.1	-327.9
Net gain / loss from financial items	8.1	-43.5	0.0	0.0	0.0	-35.3
Intra-Group income	56.4	0.0	0.4	0.0	-56.9	0.0
Other income	1.7	0.0	8.0	0.0	0.0	9.6
Total operating income	640.9	428.6	429.7	115.1	-57.1	1,557.1
Intra-Group expenses	4.1	-41.1	-5.6	-14.5	57.1	0.0
Other administration expenses	-480.0	-11.0	-208.4	-56.5	0.0	-755.9
Depreciation / amortisation and impairment	37.2	-0.1	-5.4	-0.2	0.0	-42.9
Total operating expenses	-513.1	-52.2	-219.4	-71.2	57.1	-798.8
Profit before loan losses	127.8	376.4	210.3	43.9	0.0	758.4
Loan losses, net	-0.8	1.4	-21.6	0.0	0.0	-21.0
Operating profit / loss	127.0	377.8	188.7	43.9	0.0	737.3
Balance sheet 30 June 2017						
Total assets	155,545.8	201,276.5	20,589.9	548.0	-77,869.3	300,090.7
Liabilities	145,019.9	192,270.6	18,315.5	168.3	-69,370.4	286,403.8
Equity	10,525.9	9,005.9	2,274.3	379.7	-8,498.9	13,686.9
Total liabilities and equity	155,545.8	201,276.5	20,589.9	548.0	-77,869.3	300,090.7
Income statement, Jan-Jun 2016, SEK M						
Net interest income	520.2	762.9	335.4	0.0	0.0	1,618.5
Net commission	-17.6	-432.8	61.0	98.8	0.0	-290.6
Net gain / loss from financial items	20.1	61.2	0.0	0.0	0.0	81.3
Intra-Group income	53.7	0.0	0.6	0.0	-54.3	0.0
Other income	3.7	0.1	9.0	0.0	0.0	12.8
Total operating income	580.1	391.4	405.8	98.8	-54.3	1,422.0
Intra-Group expenses	4.3	-38.8	-5.2	-14.6	54.3	0.0
Other administration expenses	-395.1	-10.8	-200.5	-47.7	0.0	-654.2
Depreciation / amortisation and impairment	-32.6	-0.1	-5.2	-0.2	0.0	-38.1
Total operating expenses	-423.4	-49.7	-210.9	-62.5	54.3	-692.3
Profit / loss before loan losses	156.7	341.8	194.9	36.4	0.0	729.7
Loan losses, net	-17.4	1.2	-16.3	0.0	0.0	-32.5
Operating profit / loss	139.3	343.0	178.6	36.4	0.0	697.2
Balance sheet 30 June 2016						
Total assets	144,338.9	178,137.8	17,606.5	471.9	-69,995.9	270,559.2
Liabilities	134,094.7	170,314.2	15,752.1	157.4	-62,397.0	257,921.4
Equity	10,244.2	7,823.6	1,854.4	314.5	-7,598.9	12,637.8
Total liabilities and equity	144,338.9	178,137.8	17,606.5	471.9	-69,995.9	270,559.2

Income and assets are attributable in their entirety to Sweden. The segment distribution per legal entity reflects the internal reporting to the chief operating decision maker. The legal structure within Länsförsäkringar Bank Group is in line with the product offering to external customers. The portion of assets and liabilities that is not distributed per segment comprises intra-Group eliminations within the Bank Group.

Note 3 Net interest income									
SEK M	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Interest income									
Loans to credit institutions	-1.2	-0.9	33%	-0.7	71%	-2.1 ¹	-3.4	-38%	-3.7
Loans to the public	1,298.4	1,264.5	3%	1,216.0	7%	2,562.9	2,429.2	6%	4,928.6
Interest-bearing securities	56.3	61.4	-8%	90.6	-38%	117.7 ¹	183.2	-36%	330.7
Derivatives	-232.7	-266.5	-13%	-320.3	-27%	-499.2	-651.2	-23%	-1,220.2
Other interest income	-0.1	0.0		-0.1		-0.1	0.0		0.2
Total interest income	1,120.8	1,058.5	6%	985.6	14%	2,179.3	1,957.7	11%	4,035.6
Interest expense									
Due to credit institutions	6.6	6.0	10%	4.5	47%	12.6 ¹	8.1	56%	20.1
Deposits and borrowing from the public	-35.1	-38.0	-8%	-47.6	-26%	-73.1	-101.0	-28%	-185.6
Debt securities in issue	-503.2	-492.3	2%	-498.6	1%	-995.5	-1,034.8	-4%	-2,012.7
Subordinated liabilities	-13.8	-13.3	4%	-24.8	-44%	-27.1	-43.7	-38%	-71.5
Derivatives	444.8	466.3	-5%	438.8	1%	911.1	906.5	1%	1,780.2
Other interest expense, including government deposit insurance	-49.4	-47.2	65%	-30.0	65%	-96.5	-74.3	30%	-102.6
Total interest expense	-150.1	-118.5	27%	-157.8	-35%	-268.6	-339.2	-21%	-572.0
Total net interest income	970.7	940.0	3%	827.8	19%	1,910.7	1,618.5	18%	3,463.5
Interest income on impaired loans	1.2	6.9		2.3		8.2	11.2		14.7
Average interest rate on loans to the public during the period, including net leasing, %	2.2	2.2		2.3		2.2	2.3		2.3
Average interest rate on deposits from the public during the period, %	0.2	0.2		0.2		0.2	0.2		0.2

¹ Of which negative interest on Loans to credit institutions of SEK -7.9 M, Interest-bearing securities of SEK -29.5 M and Due to credit institutions of SEK 12.7 M.

Note 4 Net commission income									
SEK M	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Commission income									
Payment mediation	19.8	21.6	-8%	23.9	-17%	41.4	41.9	-1%	84.3
Loans	58.8	54.0	9%	55.3	6%	112.8	103.4	9%	211.1
Deposits	2.4	3.6	-33%	2.4	-3%	6.0	6.2	-3%	11.0
Securities	294.3	294.4	-0%	278.4	6%	588.7	545.0	8%	1,134.4
Cards	52.3	45.4	15%	42.4	23%	97.7	79.8	22%	173.6
Remuneration to regional insurance companies	16.4	16.9	-3%	-		33.3	-		-
Other commission	0.3	0.2	-50%	0.4	-50%	0.5	1.0	-50%	1.7
Total commission income	444.4	436.0	2%	402.8	10%	880.4	777.2	13%	1,616.1
Commission expense									
Payment mediation	-34.8	-33.5	4%	-26.4	32%	-68.4	-51.2	34%	-103.9
Securities	-172.0	-168.3	2%	-145.8	18%	-340.3	-293.6	16%	-626.2
Cards	-30.0	-28.3	6%	-24.0	25%	-58.3	-46.7	25%	-106.9
Remuneration to regional insurance companies	-347.2	-331.5	5%	-312.9	11%	-678.6	-584.5	16%	-1,261.5
Management costs	-26.0	-31.3	-17%	-44.8	-42%	-57.3	-86.7	-34%	-169.0
Other commission	-2.7	-2.8	-4%	-2.6	4%	-5.5	-5.2	6%	-10.4
Total commission expense	-612.7	-595.6	3%	-556.5	10%	-1,208.3	-1,067.9	13%	-2,278.0
Total net commission income	-168.3	-159.6	5%	-153.6	10%	-327.9	-290.6	13%	-661.9

Note 5 Net gains / losses from financial items									
SEK M	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Interest-bearing assets and liabilities and related derivatives	-13.1	-38.5	-66 %	26.6		-51.6	56.6		23.6
Other financial assets and liabilities	-0.8	0.6		0.4		-0.2	0.4		0.2
Interest compensation	8.8	7.6	17 %	14.1	-37 %	16.5	24.3	-32 %	44.6
Total net gains / losses from financial items	-5.1	-30.3	-83 %	41.1		-35.3	81.3		68.4

Note 6 Loan losses and impaired loans									
Net loan losses, SEK M	Q2 2017	Q1 2017	Change	Q2 2016	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Specific reserve for individually assessed loan receivables									
Write-off confirmed loan losses during the year	-30.0	-28.8	4%	-44.3	-32%	-58.8	-62.3	-6%	-135.1
Reversed earlier impairment of loan losses recognised as confirmed losses	29.1	28.2	3%	43.2	-33%	57.3	61.3	-7%	133.3
Impairment of loan losses during the year	-40.3	-31.6	28%	-16.5		-71.9	-43.6	65%	-140.9
Payment received for prior confirmed loan losses	30.1	18.4	64%	2.1		48.5	18.3		66.8
Reversed impairment of loan losses no longer required	3.1	2.5	24%	5.4	-43%	5.5	7.2	-24%	67.1
Net expense for the year for individually assessed loan receivables	-8.0	-11.4	-30%	-10.2	-22%	-19.3	-19.0	2%	-8.8
Collective assessed homogenous groups of loan receivables with limited value and similar credit risk									
Provision/reversal of impairment of loan losses	2.0	-3.8		-2.2		-1.9	-13.6	-86%	-29.1
Net expense for the year for collectively assessed receivables	2.0	-3.8		-2.2		-1.9	-13.6	-86%	-29.1
Net expense for the year for fulfillment of guarantees	0.1	0.1		0.1		0.1	0.1		0.3
Net expense of loan losses for the year	-5.9	-15.1	-61%	-12.3	-52%	-21.0	-32.5	-35%	-37.6
All information pertains to receivables from the public									
Reserve ratios									
Total impaired loans reserve ratio, %	99.9	107.2		101.8			101.8		104.1
Impaired loans reserve ratio excluding collective impairments, %	58.2	60.5		67.2			67.2		59.5

Impaired loans, SEK M	30 June 2017				31 December 2016				30 June 2016			
	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net	Gross	Individual impairments	Collective impairments	Net
Corporate sector	77.6	-55.4	-22.5	-0.3	60.9	-49.8	-18.8	-7.7	76.6	-66.0	-18.1	-7.5
Retail sector	183.8	-96.6	-86.6	0.5	179.3	-93.1	-88.4	-2.2	187.7	-111.5	-73.6	2.7
of which private individuals	156.8	-97.2	-41.9	17.7	147.4	-85.2	-42.1	20.1	149.6	-97.1	-43.1	9.4
Total	261.4	-152.0	-109.1	0.3	240.2	-142.9	-107.2	-9.9	264.3	-177.5	-91.7	-4.9

The settlement model regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated, entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 30 June 2017, the total credit reserve requirement amounted to SEK 362 M, of which the Bank Group's recognised credit reserve accounted for SEK 261 M and the remainder of SEK 101 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 7	Loans to the public Loan receivables are geographically attributable in their entirety to Sweden.		
SEK M	30 June 2017	31 December 2016	30 June 2016
Public sector	597.9	1,136.9	520.7
Corporate sector	18,126.4	17,276.0	17,020.5
Retail sector	223,745.9	208,524.0	195,756.5
Other	39.9	18.2	0.2
Loan to the public before reserves	242,510.1	226,955.1	213,297.9
Reserves	-261.1	-250.1	-269.2
Loans to the public	242,249.0	226,705.0	213,028.7
Fixed-interest period			
Remaining term of not more than 3 months	167,617.8	155,156.4	140,682.1
Remaining term of more than 3 months but not more than 1 year	26,848.6	18,017.6	15,558.8
Remaining term of more than 1 year but not more than 5 years	45,778.3	51,468.5	54,673.7
Remaining term of more than 5 years.	2,004.3	2,062.6	2,114.1
Loans to the public	242,249.0	226,705.0	213,028.7

Note 8	Derivatives					
SEK M	30 June 2017		31 December 2016		30 June 2016	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Derivatives with positive values						
<i>Derivatives in hedge accounting</i>						
Interest-related	100,631.0	2,191.2	98,286.0	2,893.8	91,394.0	3,717.3
Currency-related	26,883.2	2,810.9	26,514.1	3,280.5	26,005.5	3,186.7
<i>Other derivatives</i>						
Currency-related			303.9	42.4	657.8	17.0
Total derivatives with positive values	127,514.2	5,002.1	125,104.0	6,216.7	118,057.3	6,921.0
Derivatives with negative values						
<i>Derivatives in hedge accounting</i>						
Interest-related	105,117.0	1,117.4	97,590.0	1,469.4	98,344.0	2,131.0
Currency-related	10,297.0	513.7	4,935.9	417.9	5,542.0	505.8
<i>Other derivatives</i>						
Currency-related	1,066.5	48.2	363.8	7.3	876.7	17.6
Total derivatives with negative values	116,480.6	1,679.3	102,889.7	1,894.6	104,762.7	2,654.4

Länsförsäkringar enters into financial hedging agreements to hedge against the interest-rate risk and currency risk that the Group's funding programmes give rise to. By using derivatives, the company can hedge both the fair value of the bonds issued due to changes in the market interest rate, and hedge cash flows attributable to future flows in foreign currency. Hedging instruments primarily comprise interest and currency interest-rate swaps.

Note 9	Pledged assets, contingent liabilities and commitments		
SEK M	30 June 2017	31 December 2016	30 June 2016
For own liabilities, pledged assets	190,433.3	173,186.9	165,303.4
Contingent liabilities	34.4	38.9	31.9
Commitments	23,133.7	19,365.8	21,886.5

Contingent liabilities comprise contingent liabilities, which in turn comprise guarantees. Assumptions comprises loans/bank overdraft facilities and card loans approved but not disbursed.

Note 10
Fair value valuation techniques

SEK M	30 June 2017		31 December 2016		30 June 2016	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Financial Assets						
Cash and balances with central banks	199	199	21.6	21.6	27.0	27.0
Treasury bills and other eligible bills	13,697.6	13,697.6	7,867.2	7,867.2	7,702.9	7,702.9
Loans to credit institutions	3,328.4	3,328.4	280.2	280.2	3,451.5	3,451.5
Loans to the public	242,249.0	243,286.1	226,705.0	227,784.0	213,028.7	214,191.9
Bonds and other interest-bearing securities	33,773.7	33,773.7	32,809.7	32,809.7	37,105.5	37,105.5
Shares and participations	26.0	26.0	25.4	25.4	22.8	22.8
Derivatives	5,002.1	5,002.1	6,216.7	6,216.7	6,921.0	6,921.0
Other assets	183.9	183.9	207.3	207.3	262.4	262.4
Total	298,280.6	299,317.7	274,133.1	275,212.1	268,521.8	269,685.0
Financial Liabilities						
Due to credit institutions	9,195.8	9,195.8	3,872.8	3,872.8	7,534.8	7,534.8
Deposits and borrowing from the public	97,144.0	97,647.6	91,207.1	91,644.4	87,602.0	88,569.3
Debt securities in issue	169,160.6	174,023.0	155,999.5	161,185.9	149,054.2	154,525.1
Derivatives	1,679.3	1,679.3	1,894.6	1,894.6	2,654.4	2,654.4
Other liabilities	112.2	112.2	119.7	119.7	140.3	140.3
Subordinated liabilities	2,596.0	2,682.2	2,595.4	2,674.8	2,595.0	2,637.9
Total	279,887.9	285,340.1	255,689.1	261,392.2	249,580.7	256,061.8

The carrying amount of cash and balances with central banks, treasury bills and other eligible bills, loans to credit institutions, other assets, due to credit institutions and other liabilities comprises a reasonable approximation of the fair value based on the cost of the assets and liabilities, since these assets and liabilities have short terms.

Gains and losses are recognised in profit and loss under "net gains from financial items."

Note 10 Fair Value valuation techniques, continued

Financial assets and liabilities measured at fair value in the balance sheet are presented in the table based on the valuation techniques applied:

Level 1 refers to prices determined from prices listed in an active market

Level 2 refers to prices determined by calculated prices of observable market listings

Level 3 refers to prices based on own assumptions and judgements

Financial instruments measured at fair value in the balance sheet

30 June 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Treasury bills and other eligible bills	13,697.6			13,697.6
Bonds and other interest-bearing securities	33,773.7			33,773.7
Shares and participations	0.2	6.6	19.2	26.0
Derivatives		5,002.1		5,002.1
Other assets			20.0	20.0
Liabilities				
Derivatives		1,679.3		1,679.3
31 December 2016, SEK M				
Assets				
Treasury bills and other eligible bills	7,867.2			7,867.2
Bonds and other interest-bearing securities	32,809.7			32,809.7
Shares and participations	0.2	6.0	19.2	25.4
Derivatives		6,216.7		6,216.7
Other assets			20.0	20.0
Liabilities				
Derivatives		1,894.6		1,894.6
30 June 2016, SEK M				
Assets				
Treasury bills and other eligible bills	7,702.9			7,702.9
Bonds and other interest-bearing securities	37,105.5			37,105.5
Shares and participations	0.1	4.9	17.7	22.8
Derivatives		6,921.0		6,921.0
Liabilities				
Derivatives		2,654.4		2,654.4

Shares and participations and other assets in Level 3 are initially measured at cost since the holdings cannot be reliably measured at fair value, and impaired if objective evidence exists to recognise an impairment loss. The assessment is based on the most recent Annual Report and forecast earnings. The fair value of Level 2 shares and participations that pertain to unquoted Series B shares with conversion rights to quoted Series A shares without restrictions is measured based on the price of the Series A share on the balance-sheet date. Derivatives in Level 2 essentially refer to swaps for which fair value has been calculated by discounting expected future cash flows. There were no significant transfers between Level 1 and Level 2 in 2017 or 2016. There were also no transfers from Level 3 in these years.

Change in level 3, SEK M	Other assets	Shares and participations
Opening balance 1 January 2017	20.0	19.2
Acquisition	-	-
Closing balance, 30 June 2017	20.0	19.2
Opening balance 1 January 2016	-	15.5
Acquisition	20.0 ¹	3.7
Closing balance 31 December 2016	20.0	19.2
Opening balance 1 January 2016	-	15.5
Shareholder contributions	-	2.2
Closing balance 30 June 2016	-	17.7

¹Refers to investment in Bohemian Wrappsody AB

Note 10 Fair Value valuation techniques, continued**Financial instruments measured at amortised cost in the balance sheet**

30 June 2017, SEK M	Level 1	Level 2	Level 3	Total
Assets				
Loans to the public		243,286.1		243,286.1
Liabilities				
Deposits and borrowing from the public		97,647.6		97,647.6
Debt securities in issue		174,023.0		174,023.0
Subordinated liabilities		2,682.2		2,682.2
31 December 2016				
Assets				
Loans to the public		227,784.0		227,784.0
Liabilities				
Deposits and borrowing from the public		91,644.4		91,644.4
Debt securities in issue		161,185.9		161,185.9
Subordinated liabilities		2,674.8		2,674.8
30 June 2016				
Assets				
Loans to the public		214,191.9		214,191.9
Liabilities				
Deposits and borrowing from the public		88,569.3		88,569.3
Debt securities in issue		154,525.1		154,525.1
Subordinated liabilities		2,637.9		2,637.9

When calculating the fair value of deposits and funding from the public and loans to the public, anticipated cash flows have been discounted using a discount rate set at the current deposit and lending rates applied (including discounts). Fair value for debt securities in issue and subordinated liabilities is determined based on quoted prices. Parts of debt securities in issue that are considered to be illiquid are adjusted based on expected current issue prices. Commercial papers do not have external market prices and the fair value is determined based on the yield curve of each currency.

There were no significant transfers between Level 1 and Level 2 in 2017 or 2016. There were also no transfers from Level 3 in these years.

For further information about how the fair value was determined for financial instruments measured at fair value, and about valuation techniques and inputs, see also the note on Accounting policies in the most recently published annual report.

¹Refers to investment in Bohemian Wrappsody AB

Note 11 Capital-adequacy

SEK M	Consolidated situation 30 Jun 2017	Consolidated situation 31 Dec 2016	Consolidated situation 30 Jun 2016	Bank Group 30 Jun 2017	Bank Group 31 Dec 2016	Bank Group 30 Jun 2016
Total equity	24,834.4	23,079.2	22,420.6	13,686.9	13,182.3	12,637.8
Adjustment for additional Tier 1 capital	-1,200.0	-1,200.0	-1,200.0	-1,200.0	-1,200.0	-1,200.0
Adjustment for accrued dividend for additional Tier 1 capital	-1.9	-1.9	-1.9	-1.9	-1.9	-1.9
Part of interim profit not verified	-26.2	-	-24.1	-	-	-
Intangible assets	-1,182.1	-947.5	-729.9	-703.7	-488.3	-368.9
Goodwill	-371.6	-371.6	-371.6	-	-	-
Adjustment for cash flow hedge	102.1	16.1	-61.2	96.9	3.0	-81.8
IRB Provisions deficit (-)/surplus (+)	-441.4	-393.1	-418.1	-441.4	-393.1	-418.1
Adjustment for prudent valuation	-53.6	-48.3	-54.1	-52.9	-47.4	-53.1
Deferred tax assets	-	-	-	-	-	-
Threshold deductions: financial companies	-6,066.9	-6,218.2	-6,323.4	-	-	-
Minority interest	-1,344.8	-1,297.8	-1,281.6	-	-	-
Common Equity Tier 1 capital	14,248.1	12,616.9	11,954.7	11,383.9	11,054.5	10,514.0
Additional Tier 1 capital	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Tier 1 capital	15,448.1	13,816.9	13,154.7	12,583.9	12,254.5	11,714.0
Tier 2 instruments	2,591.7	2,591.7	2,591.7	2,591.7	2,591.7	2,591.7
IRB Provisions deficit (-)/surplus (+)	-	-	-	-	-	-
Tier 2 Capital	2,591.7	2,591.7	2,591.7	2,591.7	2,591.7	2,591.7
Total own funds	18,039.8	16,408.6	15,746.4	15,175.6	14,846.2	14,305.7
Total risk exposure amount to CRD IV	62,430.2	59,512.8	58,952.4	46,882.9	44,498.3	44,345.2
Total requirement CRD IV	4,994.4	4,761.0	4,716.2	3,750.6	3,559.9	3,547.6
Capital requirement for credit risk according to Standardised Approach	1,332.0	1,297.7	1,226.0	648.7	641.7	602.7
Capital requirement for credit risk according to IRB Approach	2,665.4	2,491.9	2,458.3	2,665.4	2,491.9	2,458.3
Capital requirement for operational risk	907.7	857.4	857.4	347.3	312.2	312.2
Capital requirement according to credit valuation adjustment	89.2	114.0	174.6	89.2	114.0	174.4
Core Tier 1 ratio according to CRD IV	22.8%	21.2%	20.3%	24.3%	24.8%	23.7%
Tier 1 ratio according to CRD IV	24.7%	23.2%	22.3%	26.8%	27.5%	26.4%
Capital adequacy ratio according to CRD IV	28.9%	27.6%	26.7%	32.4%	33.4%	32.3%
Special disclosures						
IRB Provisions surplus (+) / deficit (-)	-441.4	-393.1	-418.1	-441.4	-393.1	-418.1
- IRB Total provisions (+)	333.2	355.3	333.8	333.2	355.3	333.8
- IRB Anticipated loss (-)	-774.6	-748.5	-751.9	-774.6	-748.5	-751.9
Capital requirement according to Basel I floor	12,089.8	11,253.8	10,745.8	11,740.3	10,911.2	10,419.6
Own funds adjusted according to rules for Basel I floor	18,481.1	16,801.8	16,164.6	15,616.9	15,239.4	14,723.8
Surplus of capital according to Basel I floor	6,391.3	5,548.0	5,418.7	3,876.7	4,328.2	4,304.2
First quarter 2017 Consolidated situation		Minimum capital requirement	Capital conservation buffer	Countercyclical buffer	Systemic risk buffer	Total
Minimum capital requirements and buffers						
Core Tier 1 capital		4.5%	2.5%	2.0%	n/a	9.0%
Tier 1 capital		6.0%	2.5%	2.0%	n/a	10.5%
Capital base		8.0%	2.5%	2.0%	n/a	12.5%
SEK M						
Core Tier 1 capital		2,809.4	1,560.8	1,248.6	n/a	5,618.7
Tier 1 capital		3,745.8	1,560.8	1,248.6	n/a	6,555.2
Capital base		4,994.4	1,560.8	1,248.6	n/a	7,803.8
Core tier 1 capital available for use as buffer						18.3%

Note 11 Capital-adequacy, continued

SEK M	Consolidated situation 30 Jun 2017		Consolidated situation 31 Dec 2016		Consolidated situation 30 Jun 2016		Bank Group 30 Jun 2017		Bank Group 31 Dec 2016		Bank Group 30 Jun 2016	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Credit risk according to Standardised Approach												
Exposures to institutions	90.9	1,136.2	111.7	1,396.2	71.1	888.6	87.3	1,091.3	107.3	1,340.9	66.5	831.7
Exposures to corporates	152.5	1,906.1	135.8	1,697.1	128.9	1,610.9	150.0	1,874.9	135.8	1,697.1	125.6	1,570.2
Retail exposures	125.4	1,568.0	122.2	1,527.4	110.3	1,378.2	125.4	1,568.0	122.2	1,527.4	110.3	1,378.2
Exposures in default	6.0	74.6	5.1	64.0	4.7	58.9	6.0	74.6	5.1	64.0	4.7	58.9
Covered bonds	2.4	30.0	2.4	30.0	255.0	3,187.4	2.4	30.0	2.4	30.0	247.0	3,088.0
Exposures to CIU	225.7	2,821.7	222.3	2,779.3	-	-	219.9	2,749.2	215.6	2,695.2	-	-
Exposures to equity	409.3	5,116.0	379.9	4,748.6	358.5	4,481.4	2.5	31.6	3.0	38.0	2.7	33.2
Other items	319.8	3,997.7	318.3	3,978.4	297.5	3,719.0	55.1	688.7	50.3	628.8	45.9	574.2
Total capital requirement and risk exposure amount	1332.0	16,650.3	1,297.7	16,220.9	1,226.0	15,324.4	648.7	8,108.3	641.7	8,021.4	602.7	7,534.3
Credit risk according to IRB Approach												
<i>Retail exposures</i>												
Exposures secured by real estate collateral	179.2	2,240.5	178.2	2,226.9	193.5	2,419.2	179.2	2,240.5	178.2	2,226.9	193.5	2,419.2
Other retail exposures	986.1	12,326.0	916.2	11,453.0	871.5	10,894.2	986.1	12,326.0	916.2	11,453.0	871.5	10,894.2
Other retail exposures, small and medium-sized businesses	337.7	4,220.9	320.7	4,008.5	310.0	3,875.6	337.7	4,220.9	320.7	4,008.5	310.0	3,875.6
Other retail exposures	557.3	6,965.8	513.8	6,422.1	503.3	6,291.6	557.3	6,965.8	513.8	6,422.1	503.3	6,291.6
Total retail exposures	2,060.3	25,753.2	1,928.8	24,110.4	1,878.5	23,480.6	2,060.3	25,753.2	1,928.8	24,110.4	1,878.5	23,480.6
Exposures to corporates	605.2	7,564.9	563.1	7,038.7	579.8	7,247.8	605.2	7,564.9	563.1	7,038.7	579.8	7,247.8
Total capital requirement and risk exposure amount	2,665.4	33,318.1	2,491.9	31,149.1	2,458.3	30,728.4	2,665.4	33,318.1	2,491.9	31,149.1	2,458.3	30,728.4
Operational risks												
Standardised Approach	907.7	11,346.3	857.4	10,717.4	857.4	10,717.4	347.3	4,341.0	312.2	3,902.5	312.2	3,902.5
Total capital requirement for operational risk	907.7	11,346.3	857.4	10,717.4	857.4	10,717.4	347.3	4,341.0	312.2	3,902.5	312.2	3,902.5
Total capital requirement for credit valuation adjustments	89.2	1,115.5	114.0	1,425.3	174.6	2,182.2	89.2	1,115.5	114.0	1,425.3	174.4	2,180.0

Note 12 Disclosures on related parties

Significant agreements for the Bank Group are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. The Group's remuneration to the regional insurance companies in accordance with prevailing outsourcing agreements is presented in note Commission expense. Normal business transactions took place between Group companies as part of the outsourced operations.

Income statement - Parent Company

SEK M	Q2 2017	Q1 2017	Change	Q1 2017	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Interest income	355.8	355.4	0%	349.9	2%	711.3	706.5	1%	1,434.1
Interest expense	-77.8	-82.4	-6%	-81.6	-5%	-160.2	-186.3	-14%	-310.3
Net interest income	278.0	273.0	2%	268.2	4%	551.0	520.2	6%	1,123.8
Dividends received	0.0	0.0		0.0		0.0	0.0		0.2
Commission income	118.7	119.6	-1%	99.8	19%	238.3	185.6	28%	378.1
Commission expense	-112.7	-102.1	9%	-96.2	17%	-214.7	-203.2	6%	-438.1
Net commission income	6.1	17.5	-65%	3.5	74%	23.6	-17.6		-60.0
Net gain / loss from financial items	5.3	2.8	47%	10.5	-50%	8.1	20.1	-60%	29.3
Other operating income	29.8	28.3	5%	27.7	8%	58.1	57.4	1%	123.5
Total operating income	319.1	321.7	-1%	310.0	3%	640.9	580.1	10%	1,216.7
Staff costs	-77.0	-71.5	7%	-49.6	55%	-148.5	-98.7	50%	-185.7
Other administration expenses	-172.3	-155.0	10%	-144.4	19%	-327.3	-292.2	12%	-614.6
Total administration expenses	-249.3	-226.6	9%	-194.0	29%	-475.9	-390.9	22%	-800.3
Depreciation / amortisation and impairment of property and equipment / intangible assets	-19.0	-18.2	4%	-16.9	12%	-37.2	-32.6	14%	-65.0
Total operating expenses	-268.2	-244.8	9%	-210.9	27%	-513.1	-423.4	21%	-865.3
Profit / loss before loan losses	50.9	76.9	-51%	99.0	-49%	127.8	156.7	-18%	351.4
Loan losses net	2.7	-3.5		-7.2		-0.8	-17.4	-95%	-21.6
Operating profit / loss	53.6	73.4	-37%	91.8	-42%	127.0	139.3	-9%	329.8
Allocation fund	-	-		2.9		-	2.9		-97.1
Tax	-11.8	-16.1	-36%	-18.2	-33%	-27.9	-28.6	-2%	-48.0
Profit / loss for the period	41.8	57.2	-27%	76.5	-45%	99.0	113.5	-13%	184.7

Statement of comprehensive income - Parent Company

SEK M	Q2 2017	Q1 2017	Change	Q1 2017	Change	Jan-Jun 2017	Jan-Jun 2016	Change	Full-Year 2016
Profit for the period	41.8	57.2	-27%	76.5	-45%	99.0	113.5	-13%	184.7
Other comprehensive income									
Items that are reclassified or may subsequently be reclassified to the income statement									
Cash-flow hedges	-3.2	-3.1	3%	-0.8		-6.3	2.5		2.1
Change in fair value from available-for-sale financial assets	40.3	-5.4		36.0	12%	34.9	53.5	-35%	113.0
Tax attributable to items that are transferred or can be transferred as income for the period	-8.2	1.9		-7.7	6%	-6.3	-12.3	-49%	-25.3
Other comprehensive income for the period, net after tax	28.9	-6.6		27.6	5%	22.3	43.7	-49%	89.8
Total comprehensive income for the period	70.7	50.6	40%	104.1	-32%	121.3	157.2	-23%	274.5

Balance sheet – Parent Company

SEK M	30 Jun 2017	31 Dec 2016	30 Jun 2016
Assets			
Cash and balances with central banks	19.9	21.6	27.0
Treasury bills and other eligible bills	13,697.6	7,867.2	7,702.9
Loans to credit institutions	63,041.5	64,183.5	57,825.5
Loans to the public	40,174.5	39,483.6	38,433.5
Bonds and other interest-bearing securities	25,464.2	23,495.8	27,166.3
Shares and participations	26.0	25.4	22.8
Shares and participations in Group companies	8,499.0	7,699.0	7,599.0
Derivatives	3,559.7	4,268.6	4,677.4
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	62.7	99.5	161.4
Intangible assets	651.2	451.9	337.4
Property and equipment	2.4	2.5	3.1
Deferred tax assets	3.4	2.0	1.8
Other assets	243.5	280.9	246.9
Prepaid expenses and accrued income	100.1	126.0	133.9
Total assets	155,545.8	148,007.4	144,338.9
Liabilities, provisions and equity			
Due to credit institutions	9,742.5	8,682.1	7,427.0
Deposits and borrowing from the public	97,487.0	91,505.5	87,908.7
Debt securities in issue	30,202.4	29,111.6	29,593.5
Derivatives	3,797.6	4,552.2	5,272.0
Fair value changes of interest-rate-risk hedged items in the portfolio hedge	129.8	164.2	245.3
Other liabilities	437.9	366.5	331.7
Accrued expenses and deferred income	584.6	566.3	701.8
Provisions	6.4	7.0	6.0
Subordinated liabilities	2,596.0	2,595.4	2,595.0
Total liabilities and provisions	144,984.3	137,551.0	134,081.0
Untaxed reserves	162.0	162.0	62.0
Equity			
Share capital	954.9	954.9	954.9
Capitalised proprietary development expenditures	18.4	18.4	18.4
Statutory reserve	475.0	239.9	87.1
Additional Tier 1 instruments	1,200.0	1,200.0	1,200.0
Fair value reserves	83.2	60.9	14.7
Retained earnings	7,569.0	7,635.8	7,807.2
Profit for the period	99.0	184.7	113.5
Total equity	10,399.5	10,294.5	10,195.8
Total liabilities, provisions and equity	155,545.8	148,007.4	144,338.9
Notes			
Accounting policies	1		
Capital-adequacy	2		
Loan losses and impaired loans	3		
Disclosures on related parties	4		
Pledged assets, contingent liabilities and commitments	5		

Cash-flow statement in summary, indirect method – Parent Company

SEK M	Jan-Jun 2017	Jan-Jun 2016
Cash and cash equivalents, 1 January	110.5	124.1
Cash flow from operating activities	1,007.4	363.3
Cash flow from investing activities	-1,036.9	-699.2
Cash flow from financing activities	0.5	295.3
Cash flow for the period	-29.0	-40.6
Cash and cash equivalents, 30 June	81.5	83.5

Cash and cash equivalents are defined as cash and balances at central banks, loans due to credit institutions payable on demand as well as overnight loans and deposits with the Riksbank maturing the following banking day.

The change in cash flow from operating activities was largely due to Loans to credit institutions amounting to SEK 5,965.1 M (3,706.2), Bonds and other interest-bearing securities to SEK -2,171.1 M (-4,097.3) and Treasury bills to SEK -5,945.2 (1,235.1). The change in cash flow from investing activities included a paid shareholders' contribution of SEK -800 M (-600).

Statement of changes in shareholders' equity – Parent Company

SEK M	Restricted equity				Non-restricted equity					Total
	Share capital	Development Expenditures Fund	Statutory Reserve	Additional Tier 1 instruments	Fair value reserve			Profit for the period		
Fair value reserve					Hedge reserve	Retained earnings				
Opening balance, 1 January 2016	954.9	-	18.4	1,200.0	-23.4	-5.6	7,775.5	135.9	10,055.7	
Profit for the period								113.5	113.5	
Other comprehensive income for the period					41.7	2.0			43.7	
<i>Comprehensive income for the period</i>					41.7	2.0		113.5	157.2	
According to Board's proposal for resolution by Annual General Meeting							135.9	-135.9	0.0	
Issued additional Tier 1 instruments ²								-17.1	-17.1	
Conditional shareholders' contribution received		87.1						-87.1	0.0	
Closing balance, 30 June 2016	954.9	87.1	18.4	1,200.0	18.3	-3.6	7,807.2	113.5	10,195.8	
Opening balance, 1 July 2016	954.9	87.1	18.4	1,200.0	18.3	-3.6	7,807.2	113.5	10,195.8	
Profit for the period								71.2	71.2	
Other comprehensive income for the period					46.5	-0.3			46.2	
<i>Comprehensive income for the period</i>					46.5	-0.3		71.2	117.4	
According to Board's proposal for resolution by Annual General Meeting							0.0	0.0	0.0	
Issued additional Tier 1 instruments ²								-18.6	-18.6	
Conditional shareholders' contribution received		152.8						-152.8	0.0	
Closing balance, 31 December 2016	954.9	239.9	18.4	1,200.0	64.8	-3.9	7,635.8	184.7	10,294.5	
Opening balance, 1 January 2017	954.9	239.9	18.4	1,200.0	64.8	-3.9	7,635.8	184.7	10,294.5	
Profit for the period								99.0	99.0	
Other comprehensive income for the period					27.2	-4.9			22.3	
<i>Comprehensive income for the period</i>					27.2	-4.9		99.0	121.3	
According to Board's proposal for resolution by Annual General Meeting							184.7	-184.7	0.0	
Issued additional Tier 1 instruments ²								-16.3	-16.3	
Capitalised proprietary development expenditures		235.2						-235.2	0.0	
Closing balance, 30 June 2017	954.9	475.0	18.4	1,200.0	92.0	-8.8	7,569.0¹	99.0	10,399.5	

¹ The shareholders' contributions that have been paid are conditional and the Parent Company Länsförsäkringar AB (publ) is entitled to receive repayment of the contributions from the unappropriated earnings of Länsförsäkringar Bank AB (publ), provided that approval is obtained from the general meeting. On 30 June 2017, the amount of the conditional shareholders' contribution received was SEK 5,290 M (5,290).

² The issued Tier 1 instrument is deemed to fulfil the conditions of an equity instrument since:

- The instrument, according to the conditions, does not have a set maturity date, meaning that the issuer has an unconditional right to refrain from making repayments.
- The issuer of the instrument has full discretion regarding interest payments, that is to say no obligation to pay interest.

Notes – Parent Company

Amounts in SEK million if not otherwise stated.

Note 1	Accounting policies
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Länsförsäkringar Bank AB prepared its report in accordance with the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (ÅRKL), and the Swedish Financial Supervisory Authority's regulations and general guidelines regarding annual reports in insurance companies (FFFS 2008:25). The company also applies the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements issued pertaining to listed companies.

The impact on capital adequacy due to new or revised IFRS that have not yet been applied is described in note 1 for the Group.

In all other respects, the interim report has been prepared in accordance with the same accounting policies and calculation methods applied in the 2016 Annual Report.

Note 2	Capital-adequacy				
SEK M	30 Jun 2017	31 Dec 2016	30 Jun 2016		
Total equity	10,399.5	10,294.5	10,195.8		
Unrecognised dividend	-1.9	-1.9	-1.9		
78 % of untaxed reserves	126.4	126.4	48.4		
Own funds eligible for capital-adequacy	10,523.9	10,418.9	10,242.2		
Intangible assets	-651.2	-451.9	-337.4		
Adjustment for cash flow hedge	8.8	3.9	3.6		
IRB Provisions deficit (-)/surplus (+)	-102.8	-85.4	-96.2		
Adjustment for prudent valuation	-45.7	-39.0	-43.8		
Adjustment for Additional Tier 1 capital	-1,200.0	-1,200.0	-1,200.0		
Common Equity Tier 1 capital	8,533.0	8,646.5	8,568.4		
Additional Tier 1 capital	1,200.0	1,200.0	1,200.0		
Tier 1 capital	9,733.0	9,846.5	9,768.4		
Tier 2 instruments	2,591.7	2,591.7	2,591.7		
IRB Provisions deficit (-)/surplus (+)	25.4	27.9	-		
Own funds	2,617.1	2,619.6	2,591.7		
Total own funds	12,350.2	12,466.2	12,360.1		
Total risk exposure amount to CRD IV	25,269.3	24,179.9	24,747.9		
Total capital requirement to CRD IV	2,021.5	1,934.4	1,978.8		
Capital requirement for credit risk according to Standardised Approach	1,012.7	960.9	936.4		
Capital requirement for credit risk according to IRB Approach	821.5	782.3	831.5		
Capital requirement for operational risk	143.8	130.5	130.5		
Capital requirement	43.6	60.6	81.4		
Core Tier 1 ratio according to CRD IV	33.8%	35.8%	34.6%		
Tier 1 ratio according to CRD IV	38.5%	40.7%	39.5%		
Capital adequacy ratio according to CRD IV	48.9%	51.6%	49.9%		
Special disclosures					
IRB Provisions surplus (+) /deficit (-)	-77.3	-57.4	-96.2		
- IRB Total provisions (+)	152.0	191.0	169.3		
- IRB Anticipated loss (-)	-229.4	-248.4	-265.5		
Capital requirement according to Basel I floor	3,282.9	3,155.3	3,155.2		
Capital base adjusted according to Basel I floor	12,427.5	12,523.6	12,456.3		
Surplus of capital according to Basel I floor	9,144.6	9,368.2	9,301.2		
	Minimum capital requirement	Capital conservation buffer	Counter-cyclical buffer	Systemic risk buffer	Total
Minimum capital requirements and buffers					
Core Tier 1 capital	4.5%	2.5%	2.0%	n/a	9.0%
Tier 1 capital	6.0%	2.5%	2.0%	n/a	10.5%
Capital base	8.0%	2.5%	2.0%	n/a	12.5%
SEK M					
Core Tier 1 capital	1,137.1	613.7	505.4	n/a	2,274.2
Tier 1 capital	1,516.2	631.7	505.4	n/a	2,653.3
Capital base	2,021.5	631.7	505.4	n/a	3,158.7
Core Tier 1 capital available for use as buffer					29.3%

SEK M	30 Jun 2017		31 Dec 2016		30 Jun 2016	
	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount
Note 2 Capital-adequacy, continued						
Credit risk according to Standardised Approach						
Exposures to institutions	48.9	611.7	65.8	822.3	30.7	383.1
High risk items	2.4	30.0	2.4	30.0	-	-
Covered bonds	153.5	1,918.3	141.1	1,763.5	167.5	2,094.1
Equity exposures	783.8	9,797.4	720.3	9,003.8	711.9	8,899.0
Other items	24.1	300.9	31.4	392.1	26.3	328.6
Total capital requirement and risk exposure amount	1,012.7	12,658.2	960.9	12,011.8	936.4	11,705.3
Credit risk according to IRB Approach						
<i>Retail exposures</i>						
Secured by immovable property, small and medium-sized businesses	146.9	1,835.7	144.3	1,803.7	157.7	1,969.1
Secured by immovable property, other	111.9	1,398.9	111.6	1,394.9	117.2	1,465.6
Other retail exposures, small and medium-sized businesses	41.0	512.2	42.9	536.8	47.5	594.2
Other retail exposures	184.3	2,303.9	188.4	2,354.5	199.8	2,496.9
Total retail exposures	484.0	6,050.6	487.2	6,089.9	522.1	6,525.8
Exposures to corporates	337.4	4,217.6	295.1	3,689.0	309.5	3,868.4
Total capital requirement and risk exposure amount	821.5	10,268.2	782.3	9,778.9	831.5	10,394.2
Operational risks						
Standardised Approach	143.8	1,798.1	130.5	1,631.1	130.5	1,631.1
Total capital requirement for operational risk	143.8	1,798.1	130.5	1,631.1	130.5	1,631.1
Total capital requirement for credit valuation adjustments	43.6	544.7	60.6	758.1	81.4	1,017.3

Note 3 Loan losses and impaired loans

The settlement model regarding the commitment that the regional insurance companies have for loan losses related to the business they have originated, entails that the regional insurance companies cover 80% of the provision requirement on the date when an impairment is identified. Off-setting takes place against, and can amount to a maximum of, accrued commission. Remuneration corresponding to 80% of the provision requirement is withheld on every occasion until the lending mediated by the regional insurance company has been regulated. On 30 June 2017, the total credit reserve requirement amounted to SEK 152 M of which the Bank Group's recognised credit reserve accounted for SEK 68 M and the remainder of SEK 84 M was offset against the regional insurance companies' withheld funds, according to the model described above.

Note 4 Disclosures on related parties

Significant agreements for Länsförsäkringar Bank AB are primarily outsourcing agreements with the 23 regional insurance companies and outsourcing agreements with Länsförsäkringar AB regarding development, service, finance and IT. Normal business transactions took place between Group companies as part of the outsourced operations.

SEK M	30 Jun 2017	31 Dec 2016	30 Jun 2016
	Note 5 Pledged assets, contingent liabilities and commitments		
For own liabilities, pledged assets	7,956.9	5,049.9	6,376.1
Contingent liabilities	34.4	38.9	31.9
Commitments	38,710.1	34,586.3	25,618.6

Contingent liabilities comprise contingent liabilities, which in turn comprise guarantees. Assumptions comprises loans/bank overdraft facilities and card loans approved but not disbursed.

This interim report is a translation of the Swedish interim report that has been reviewed by the company's auditors.

The Board of Directors and President affirm that this interim report provides a true and fair view of the company's and the Group's operations, financial position and earnings and describes the significant risks and uncertainties to which the company and the companies included in the Group are exposed.

Stockholm, 10 August 2017

Johan Agerman
Chairman of the Board

Per-Ove Bäckström
Board member

Anders Grånäs
Board member

Ingrid Jansson
Board member

Beatrice Kämpe
Board member

Bengt-Erik Lindgren
Board member

Peter Lindgren
Board member

Anna-Greta Lundh
Board member

Sören Schelander
Board member

Klas Kihlberg
Employee representative

Mirek Swartz
Employee representative

Linda Pettersson
Employee representative

Anders Borgcrantz
President

Review report

To the Board of Directors of Länsförsäkringar Bank AB (publ)

Corp. id. 516401-9878

Introduction

I have reviewed the summary interim financial information (interim report) of Länsförsäkringar Bank AB (publ) as of 30 June 2017 and the six-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. My responsibility is to express a conclusion on this interim report based on my review.

Scope of review

I conducted my review in accordance with International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Conclusion

Based on my review, nothing has come to my attention that causes me to believe that the interim report is not prepared, in all material respects, for the Group in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies, and for the Parent Company in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 10 August 2017

Dan Beitner
Authorized Public Accountant

Financial calendar

Interim report January–September för Länsförsäkringar Bank 10 November 2017

Interim report January–September för Länsförsäkringar Hypotek 10 November 2017

This report contains such information that Länsförsäkringar Bank AB (publ) must publish in accordance with the Securities Market Act. The information was submitted for publication on 10 August 2017 at 12:00 a.m. Swedish time.

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